

AR12

John Inglis Co. Limited Annual Report 1969

Inglis



highlights

JOHN INGLIS CO. LIMITED

	<u>1969</u>	<u>1968</u>
Sales	\$47,867,660	\$41,277,234
Net profit	\$ 437,136	\$ 915,781
Per cent of sales	.9%	2.2%
Per share*	\$.37	\$.83
Depreciation and amortization	\$ 1,228,176	\$ 931,421
Preproduction expenses written off	\$ 452,000	—
Preproduction expenses deferred	—	\$ 467,980
Working capital	\$ 6,123,046	\$ 5,389,585
Shareholders' equity	\$13,915,478	\$10,978,342
Per share	\$10.58	\$9.91
Number of shares outstanding	1,315,831	1,107,498
Number of shareholders	1,565	1,802
Number of employees	1,535	1,485

*Based on average shares outstanding during the year.

directors and officers

directors

Charles-Émile Bélanger
John A. Boyd
Air Marshal Hugh Campbell, C.B.E., C.D.
Conde G. Maiden
J. Geoffrey Notman, O.B.E.
George A. Riddell
R. Barrett Simpson
Humphrey B. Style
Robert B. Willemin

officers

Robert B. Willemin
Chairman of the Board
Conde G. Maiden
President and Chief Executive Officer
R. Barrett Simpson
Vice President-Finance, Treasurer and Secretary
Frank O. Price
Vice President, Manager of Manufacturing
James A. Lyons
Vice President-Personnel and Administration
William H. Minish
Vice President-Engineering
Douglas M. Phillips
Comptroller
Percival J. Baldwin
Assistant Secretary

bankers

Bank of Montreal

transfer agent & registrar

Canada Permanent Trust Company
1901 Yonge St., Toronto 295
600 Dorchester Blvd. West, Montreal 101

auditors

Clarkson, Gordon & Co., Chartered Accountants
Toronto-Dominion Centre, Toronto 111

report of the board of directors

TO THE SHAREHOLDERS:

Your Directors present herewith the Annual Report of your Company for the year ended December 27, 1969.

Net sales for the year ended December 27, 1969 amounted to \$47,867,000 compared to net sales of \$41,277,000 for the year ended December 28, 1968, an increase of 16%. 1969 net profit was \$437,136 as compared with net profit of \$915,781 for 1968.

Increased sales volume in all of Inglis product lines was reflected in the 16% improvement in net sales in 1969 over those of 1968. Although your Company is reporting a substantially lower net profit for 1969 than for 1968, it had in 1969 a charge against operations of \$452,000 for deferred preproduction expense incurred in connection with construction of our new refrigerator plant at Stoney Creek and make-ready expenses in connection with our entry into the refrigerator business in 1968. A similar charge will be made against operations each year through 1972 until the \$1,807,279 of preproduction expense has been amortized. In view of this charge against 1969 earnings a truer picture of 1969 operating results is obtained by comparing 1969 profit before income tax of \$657,000, after amortization of \$452,000 of deferred preproduction expense, against 1968's profit before income tax of \$877,000. 1969 operating results were also affected by increases in our costs for materials and services, only a portion of which have been reflected in increased selling prices of our products.

As you will recall, in early 1968 Inglis began producing refrigerators at Stoney Creek for sale to Simpsons-Sears Limited and RCA Limited and offered on the market for the first time a line of refrigerators under the "Inglis" brand. Although our refrigerator sales increased substantially in 1969 and considerable progress has been made in achieving cost reductions, we have not as yet reached volumes in our refrigerator production such that the product is profitable. It was recognized, of course, at the time the decision was made to broaden our product line by the addition of refrigerators that, as with any new product, time would be required to build volume to profitable levels. We are pleased that our refrigerators and other product lines are being well received in the market place and unless there is a softening of demand for major appliances as the year progresses we expect to achieve some increase in both sales and earnings in 1970.

Substantial progress has been made in 1969 on programmes that have been instituted to strengthen the Company through improvements in manufacturing efficiency and reductions in costs.

Your Directors wish to record their appreciation of the loyalty, support and efforts of the Company's employees throughout the year.

On behalf of the Board,



ROBERT B. WILLEMIN
Chairman of the Board



CONDE G. MAIDEN
President and Chief Executive Officer

balance sheet

December 27, 1969 (with comparative figures for 1968)

ASSETS

1969 1968

Current:

Accounts receivable	\$ 6,533,967	\$ 6,645,880
Inventories, valued at the lower of cost or market	16,833,265	11,086,822
Prepaid expenses	74,587	21,846
	23,441,819	17,754,548

Fixed:

Land, buildings and equipment, at cost	13,263,818	12,435,399
Less accumulated depreciation	5,208,756	4,617,694
	8,055,062	7,817,705
Unamortized tooling costs	1,202,091	1,063,773
	9,257,153	8,881,478

Other:

Prepaid income taxes (note 1)	380,000	600,000
Deferred preproduction expenses (note 2)	1,355,279	1,807,279
	1,735,279	2,407,279
	\$34,434,251	\$29,043,305

On behalf of the Board:

Robert B. Willemin, Director

C. G. Maiden, Director

JOHN INGLIS CO. LIMITED
(Incorporated under the laws of Ontario)



LIABILITIES

	<u>1969</u>	<u>1968</u>
Current:		
Bank advances (note 3)	\$ 3,496,130	\$ 5,623,932
Short term notes payable (note 3)	6,000,000	
Accounts payable and accrued charges	7,228,712	6,149,999
Sales and other taxes payable	593,931	591,032
	<hr/> 17,318,773	<hr/> 12,364,963
 Provision for warranty	 <hr/> 1,200,000	 <hr/> 1,200,000
 Debenture — 7% due March 31, 1970 (note 5)	 <hr/> 2,000,000	 <hr/> 2,000,000
 Convertible loan	 <hr/> 2,500,000	
 Shareholders' equity:		
Capital		
Authorized:		
1,500,000 shares of no par value		
Issued:		
1,315,831 shares (note 4)	11,814,269	9,314,269
Earned surplus	<hr/> 2,101,209	<hr/> 1,664,073
	<hr/> 13,915,478	<hr/> 10,978,342
	<hr/> \$34,434,251	<hr/> \$29,043,305

(See accompanying notes to financial statements)

JOHN INGLIS CO. LIMITED

For the year ended December 27, 1969 (*with comparative figures for 1968*)

**STATEMENT OF
PROFIT AND LOSS**

	1969	1968
Sales	\$47,867,660	\$41,277,234
Profit on operations before the undernoted	\$ 3,201,734	\$ 2,450,914
Less:		
Depreciation and amortization	1,228,176	931,421
Interest on long term debt	250,866	295,479
Other interest expense	613,556	346,926
Preproduction expenses written off (note 2)	452,000	
	2,544,598	1,573,826
Profit before income taxes	657,136	877,088
Provision for income taxes (note 1)	348,000	465,000
Profit before extraordinary items	309,136	412,088
Add extraordinary items:		
Income tax credit (note 1)	128,000	465,000
Profit on sale of land		38,693
Net profit for the year	\$ 437,136	\$ 915,781

**STATEMENT OF
EARNED SURPLUS**

Earned surplus at beginning of year	\$ 1,664,073	\$ 748,292
Net profit for the year	437,136	915,781
Earned surplus at end of year	\$ 2,101,209	\$ 1,664,073

**STATEMENT OF
SOURCE AND
APPLICATION OF FUNDS**

Funds were provided from:		
Net profit for the year	\$ 437,136	\$ 915,781
Depreciation and amortization	1,228,176	931,421
Preproduction expenses written off	452,000	
Deferred income tax	220,000	
	2,337,312	1,847,202
Funds were expended on:		
Additions to fixed assets	1,603,851	1,151,661
Deferred preproduction expenses		467,980
	1,603,851	1,619,641
Resulting in an increase in working capital of	733,461	227,561
Working capital at beginning of year	5,389,585	5,162,024
Working capital at end of year	\$6,123,046	\$5,389,585

(See accompanying notes to financial statements)

JOHN INGLIS CO. LIMITED

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a General Meeting of the Shareholders of JOHN INGLIS CO. LIMITED will be held at the Head Office of the Company, at 14 Strachan Avenue, in the City of Toronto, Canada, on Wednesday, April 15th, 1970 at the hour of 11.00 o'clock in the forenoon, E.S.T. as the Annual and a Special General Meeting for the following purposes:

- (a) Receiving the Report of the Board of Directors, and the Financial Statements for the fiscal year ended the 27th day of December, 1969 and the Report of the Auditors thereon;
- (b) Electing Directors;
- (c) Appointing Auditors, at a remuneration to be fixed by the Board of Directors;
- (d) Considering and, if thought fit, confirming, with or without variation, Special Resolution and By-law No. XXI of the Company, being a Special Resolution and By-law to provide Consolidated By-laws for the Company passed by the Board of Directors on the 18th day of February, 1970;
- (e) Transacting any other business which may properly be brought before the Meeting.

An instrument appointing a proxy to be used at the meeting must be deposited with the Company at or before 11.00 o'clock in the forenoon, E.S.T. on Monday, April 13th, 1970.

DATED this 23rd day of March, 1970.

BY ORDER OF THE BOARD,

R. B. SIMPSON,

Secretary.

If you are unable to attend the meeting in person, you are requested to date, sign and return the enclosed instrument of proxy in the enclosed self-addressed envelope.

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JOHN INGLIS Co. LIMITED

INFORMATION CIRCULAR

This Information Circular accompanies the Notice of the General Meeting of Shareholders of John Inglis Co. Limited (the "Company") to be held on Wednesday, the 15th day of April, 1970 at the hour of 11.00 o'clock in the forenoon, E.S.T. at the Head Office of the Company, 14 Strachan Avenue, Toronto, Canada, as the Annual Meeting and a Special General Meeting of Shareholders for the purposes set out in the Notice, and is furnished in connection with the solicitation by the Management of the Company of proxies for the Meeting. The cost of such solicitation will be borne by the Company.

Every shareholder is entitled to one vote for each share of the Company held by him and such vote may be given in person or by proxy.

A shareholder has the right to appoint a person, who need not be a shareholder, to attend and act for him and on his behalf at the Meeting other than the persons designated in the enclosed form of proxy. To exercise this right, a shareholder may insert the name of the desired person in the space provided for that purpose in the enclosed form of proxy or may substitute another appropriate form of proxy.

The Directors have by resolution fixed 11.00 o'clock in the forenoon, E.S.T., on Monday, the 13th day of April, 1970 as the time at or before which an instrument appointing a proxy to be used at the Meeting must be filed with the Company. To ensure proper receipt of proxies, shareholders should deposit them at the Head Office of the Company, 14 Strachan Avenue, Toronto, Canada, at or before such time.

The shares represented by the proxy herewith solicited will be voted.

A shareholder who has given a form of proxy may revoke it by an instrument in writing similarly executed and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or adjournment thereof.

Voting Shares and Principal Holders Thereof

The Company has outstanding 1,315,831 shares, each of which is entitled to one vote. Shareholders of record at the time of the Meeting will be entitled to vote the shares held by them respectively.

To the knowledge of the directors and senior officers of the Company, Whirlpool Corporation beneficially owns, directly or indirectly, 434,224 shares of the Company representing 33% of all the outstanding shares of the Company, and The English Electric Company Limited beneficially owns, directly or indirectly, 396,021 shares of the Company representing 30.1% of all the outstanding shares of the Company.

Election of Directors

The following information relates to the election of directors of the Company and to the persons proposed to be nominated for election as directors.

At the Meeting, directors will be elected to serve until the next annual meeting of shareholders or until their respective successors are duly appointed or elected as provided in the Company's by-laws. It is intended to vote the proxies hereby solicited for the election of the following persons proposed to be nominated for election as directors of the Company, and all of such proposed nominees are now directors of the Company whose current term of office ceases at the Meeting, except Percival J. Baldwin and James D. Irving who are not now directors. In the event that a vacancy occurs in the following list of proposed nominees, it is intended that the discretionary authority given in the proxies hereby solicited will be exercised to vote such proxies for the election of another person as director.

THE FOLLOWING INFORMATION IS GIVEN CONCERNING THE PROPOSED NOMINEES AS DIRECTORS:

NAME AND PRINCIPAL OCCUPATION	YEAR FIRST BECAME A DIRECTOR (1)	APPROXIMATE NUMBER OF SHARES BENEFICIALLY OWNED, DIRECTLY OR INDIRECTLY, AS AT FEBRUARY 25, 1970 (2)
Percival J. Baldwin (6) Assistant Secretary John Inglis Co. Limited Manufacturers of Domestic Appliances	1956	Nil
Charles-Emile Bélanger Partner of Raymond, Campbell, Bélanger, Walton, Chabot and Willetts Chartered Accountants	1957	40
John A. Boyd Financial Consultant	1947	50
Air Marshal Hugh Campbell, C.B.E., C.D. Corporate Director, Ottawa	1963	700
James D. Irving (3) Retired Retail Executive Simpsons-Sears Limited	—	Nil

NAME AND PRINCIPAL OCCUPATION	YEAR FIRST BECAME A DIRECTOR (1)	APPROXIMATE NUMBER OF SHARES BENEFICIALLY OWNED, DIRECTLY OR INDIRECTLY, AS AT FEBRUARY 25, 1970 (2)
Conde G. Maiden	1967	Nil
President and Chief Executive Officer John Inglis Co. Limited		
J. Geoffrey Notman, O.B.E.	1957	1,000
Chairman, Westmount Life Insurance Company		
George A. Riddell	1963	Nil
Joint Deputy Managing Director The General Electric & English Electric Companies Ltd. (4)		
R. Barrett Simpson	1968	Nil
Vice President-Finance, Treasurer and Secretary, John Inglis Co. Limited		
Humphrey B. Style	1951	Nil
Business Consultant		
Robert B. Willemin (5)	1969	Nil
Group Vice President-Secretary Whirlpool Corporation Manufacturers of Domestic Appliances		

NOTES:

- (1) Each of the proposed nominees has served as a director since the year he first became a director, except in the case of Mr. Baldwin as mentioned in Note 6 below and in the case of Mr. Irving who has not previously been a director.
- (2) Information as to the approximate number of shares of the Company beneficially owned, directly or indirectly, at the date indicated by the proposed nominees as directors has been supplied by such proposed nominees.
- (3) For the five years preceding the date hereof, Mr. James D. Irving was Vice President-Merchandising, Simpsons-Sears Limited until his retirement in January 1970.
- (4) The General Electric & English Electric Companies Ltd. with head office at London, England, is an international group of electrical, electronic and mechanical engineering companies including The English Electric Company Limited.
- (5) For the five years preceding the date hereof, Mr. R. B. Willemin has held the office of Group Vice President-Secretary, Whirlpool Corporation.
- (6) Mr. P. J. Baldwin has been the Assistant Secretary of the Company since March 14, 1968 and prior to that time was Secretary. He has previously served as a director for the periods February 21, 1956 to October 21, 1957, January 31, 1963 to May 23, 1963, and January 29, 1964 to February 1, 1967.

Confirmation of Special Resolution and By-law

The shareholders will be asked to consider and, if thought fit, confirm, with or without variation, Special Resolution and By-law No. XXI, being a special resolution and by-law to provide consolidated by-laws for the Company, which was passed by the Board of Directors on February 18, 1970. This will result in a new By-law No. 1 relating generally to the transaction of the business and affairs of the Company, and a new By-law No. 2 relating to the borrowing of money and the issue of securities of the Company. New By-law No. 1 consolidates, revises and amends existing general by-laws of the Company to bring them in closer conformity with current practices. It also provides for an audit committee and a compensation committee of the Board of Directors and reflects changes in the law since the present general by-law was enacted in 1956. A borrowing by-law is normally passed at the same time as a general by-law, and the new borrowing By-law No. 2 reflects current practices in this regard.

A copy of the Special Resolution and By-law No. XXI, which includes the proposed By-laws No. 1 and 2, accompanies this Information Circular.

Remuneration of Management and Others

The aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company during the fiscal year ended December 27, 1969 amounted to \$253,798.

The estimated aggregate cost to the Company in the said fiscal year of all pension benefits proposed to be paid under the Company's normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company to senior officers of the Company and to such of the directors who participated in such plan was \$13,100.

A lump sum retirement allowance of \$55,000 was paid to a senior officer of the Company upon his retirement during the year.

Appointment of Auditors

It is intended to vote the proxies hereby solicited for the reappointment of Clarkson, Gordon & Co., the present auditors of the Company, to hold office until the next annual meeting of shareholders at a remuneration to be fixed by the Board of Directors.

Particulars of Other Matters

The Management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of the Meeting.

If any amendments or variations to matters identified in the Notice calling the Meeting are proposed at the Meeting, or if any other matters properly come before the Meeting, the proxies hereby solicited shall confer discretionary authority to vote with respect to such amendments or variations or such other matters according to the best judgment of the person voting such proxies at the Meeting.

DATED as of the 23rd day of March, 1970.

BY ORDER OF THE BOARD,

R. B. SIMPSON,

Secretary.



NOTES TO FINANCIAL STATEMENTS

1. The income tax provision reflects the normal charge applicable to the income earned by the Company as reported herein. As a result of differences in the timing of deductions for tax purposes and book purposes however, tax allowances may be received either earlier or later than the year in which the related expense is reflected in the books. The balance of the amounts available to reduce income of future years, \$128,000, not previously set up in the accounts has been brought into income as an extraordinary item.
Taxes deferred in the current year have been deducted from prepaid income taxes. Prepaid income taxes in the prior year resulted from carrying the provision for warranty on a gross basis rather than a net of tax basis.
2. Preproduction expenses for the new refrigerator facility which amounted to \$1,807,279 are being amortized on a straight line basis over four years commencing in 1969.
3. Accounts receivable and inventories have been pledged to the bank as security for the bank loan and the bank's guarantee of the short term notes payable.
4. During the year Whirlpool Corporation exercised its option to convert its loan into common shares of the Company and 208,333 common shares were issued for a total consideration of \$2,500,000.
5. The outstanding 7% Debenture due March 31, 1970 is not included as a current liability because refinancing arrangements are under negotiation.
6. The aggregate direct remuneration for the year paid or payable to directors and senior officers amounted to \$308,798.
7. Based on the latest actuarial valuation of the Company's Pension and Retirement Plans, it is estimated that the unfunded obligation of the Company for pension benefits in respect of service rendered by employees to December 27, 1969 is approximately \$1,443,000. The Company plans to fund this obligation by 20 equal annual payments to the Trustee. Pension costs are absorbed against income as payments are made to the Trustee.

AUDITORS' REPORT

To the Shareholders of John Inglis Co. Limited:

We have examined the balance sheet of John Inglis Co. Limited as at December 27, 1969 and the statements of profit and loss and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the company as at December 27, 1969 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 12, 1970.

CLARKSON, GORDON & CO.
Chartered Accountants

5 year statistical review — 1965-1969

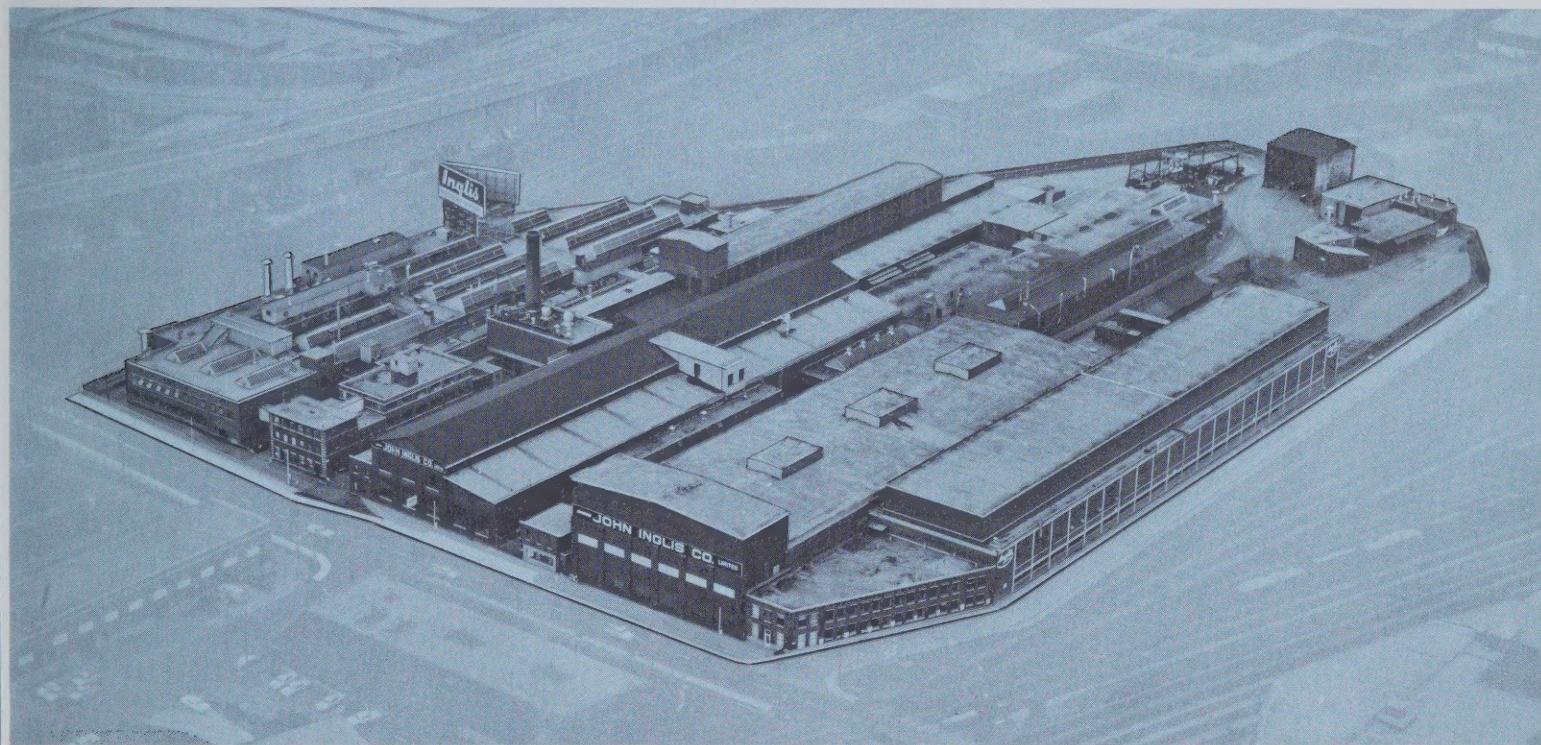
(in thousands of dollars)

	1969	1968	1967	1966	1965
operations					
Sales —					
Consumer Products	\$47,867	\$41,277	\$31,700	\$32,407	\$27,853
Equipment Division	—	—	—	5,767	9,613
Total	<u>\$47,867</u>	<u>\$41,277</u>	<u>\$31,700</u>	<u>\$38,174</u>	<u>\$37,466</u>
Profit before income taxes	\$ 657	\$ 877	\$ 1,930	\$ 1,526	\$ 420
Per cent to sales	1.4%	2.1%	6.1%	4.0%	1.1%
Net profit before extraordinary items*	\$ 309	\$ 412	\$ 930	\$ 730	\$ 200
Per cent to sales	.6%	1.0%	2.9%	1.9%	.5%
Per share	\$.26	\$.37	\$.84	\$.66	\$.18
Net profit after extraordinary items*	\$ 437	\$ 916	\$ 1,930	\$ 1,526	\$ 420
Per cent to sales	.9%	2.2%	6.1%	4.0%	1.1%
Per share	\$.37	\$.83	\$ 1.74	\$ 1.38	\$.38
Earned on shareholders' equity	3.5%	8.7%	21.2%	20.6%	6.4%
Depreciation of buildings & equipment	\$ 675	\$ 615	\$ 236	\$ 230	\$ 466
Amortization of tooling	\$ 553	\$ 316	\$ 245	\$ 136	\$ 461
Amortization of preproduction expenses	\$ 452	\$ —	\$ —	\$ —	\$ —
Deferred preproduction expenses	\$ —	\$ 468	\$ 1,104	\$ 235	\$ —
Additions to buildings & equipment	\$ 912	\$ 749	\$ 5,295	\$ 347	\$(5,145)
Additions to tooling	\$ 691	\$ 402	\$ 1,126	\$ 103	\$ 393
balance sheet					
Working capital	\$ 6,123	\$ 5,389	\$ 5,162	\$ 9,130	\$ 9,113
Ratio of current assets to current Liabilities	1.35:1	1.44:1	1.63:1	2.61:1	2.60:1
Land, buildings & equipment — net	\$ 8,055	\$ 7,818	\$ 7,684	\$ 2,625	\$ 2,508
Unamortized tooling	\$ 1,202	\$ 1,064	\$ 978	\$ 97	\$ 130
Long term debt	\$ 2,000	\$ 4,500	\$ 4,500	\$ 3,355	\$ 4,498
Shareholders' equity —					
Capital	\$11,814	\$ 9,314	\$ 9,314	\$ 9,314	\$ 9,314
Earned surplus (deficit)	\$ 2,101	\$ 1,664	\$ 748	\$(1,182)	\$(2,661)
	<u>\$13,915</u>	<u>\$10,978</u>	<u>\$10,062</u>	<u>\$ 8,132</u>	<u>\$ 6,653</u>
Number of shares outstanding (in thousands)	1,316	1,107	1,107	1,107	1,107
Book value per share	\$ 10.58	\$ 9.91	\$ 9.09	\$ 7.34	\$ 6.01
non-financial					
Number of employees	1,535	1,485	1,216	959	1,030
Number of shareholders	1,565	1,802	1,973	2,013	2,119

*Extraordinary items were income tax credits in 1965-1969 and profit on sale of land in 1968. In 1968 the Company adopted the tax allocation basis of computing the provision for income taxes. The figures for 1965 to 1967 have been restated accordingly.



Inglis Toronto plant where domestic laundry equipment, dishwashers, fuel pumps and water heaters are made.



Inglis Stoney Creek plant near Hamilton where refrigerators and freezers are made.

